

Students and Parents Q&A

April 15, 2008

Why did the Michigan Higher Education Student Loan Authority (MHESLA) have to suspend their federal loan program?

MHESLA uses tax-exempt bonds to finance the origination and purchase of FFELP loans to Michigan students and parents. Due to the current turmoil in the capital markets, it has become effectively impossible to issue debt to raise new capital.

Which institutions in Michigan does this effect?

There are two types of federal loan programs that postsecondary institutions in Michigan participate in: the Federal Family Education Loan Program (FFELP) and the Federal Direct Loan Program (FDLP). FFELP schools use private lenders to make federal student loans and FDLP schools rely on the federal government to make loans.

The MHESLA suspension would only affect those institutions participating in FFELP that utilize MHESLA as a lender or purchaser of student loans. Students whose schools participate in the FDLP will not be affected by this suspension.

The Student Financial Services Bureau has organized a [list](#) of the public, private, and proprietary institutions in Michigan that participate in FFELP and those that participate in FDLP.

If I attend a FFELP institution, does this mean that I can't get a student loan?

Students attending FFELP institutions remain eligible to receive student loans from other participating lenders. Students are advised to contact their school's financial aid office for more information. The Student Financial Services Bureau's Web site contains a list of Michigan's [public](#) and [private](#) institutions, including contact information.

What other options do I have to get help paying for college?

Students should always look first for grants and scholarships to help pay for college before turning to federal student loans. The state of Michigan offers many [scholarship and grant programs](#) to aid students attending college. Students are also encouraged to search for other [scholarship opportunities](#) found on the web.

What should I do next?

MHESLA recommends that students and parents remain in contact with the financial aid offices at their college or university to explore all of the financial assistance opportunities available. MHESLA's experience with the financial aid officers (FAOs) in the state is very positive, and FAOs are willing to help students and parents in any way they can.

Will this have any effect on my loans from previous years?

No, this temporary suspension will not have any effect on students' or parents' current MHESLA loans.

When will the suspension of MHESLA's involvement with FFELP be reinstated?

Securing access to sufficient capital and/or funding is required for MHESLA to originate and purchase student loans. Governor Granholm supports efforts being undertaken at the federal level to restore liquidity to capital markets and has [written](#) to the U.S. Secretary of the Treasury, Henry Paulson, and the U.S. Secretary of Education, Margaret Spellings, to take action on this matter. Legislation has been introduced in the U.S. Congress to try to remedy the situation.